

TENNESSEE STATE SCHOOL BOND AUTHORITY
April 25, 2018
AGENDA

1. Call meeting to order
2. Approval of Minutes from the TSSBA meeting of March 2, 2018
3. Approval of Second Amendment to Revolving Credit Agreement
4. Adjourn

TENNESSEE STATE SCHOOL BOND AUTHORITY

March 2, 2018

The Tennessee State School Bond Authority (“TSSBA”, or the “Authority”) met on Friday, March 2, 2018, at 10:00 a.m. CST in the Tennessee State Capitol, Executive Conference Room, G Level, Nashville, Tennessee. The Honorable Justin Wilson, Comptroller, was present and presided over the meeting.

The following members were also present:

Keith Boring, proxy for the Honorable Tre Hargett, Secretary of State of Tennessee
The Honorable David Lillard, State Treasurer
Angela Scott, proxy for Commissioner Larry Martin, Department of Finance and Administration
Danny Gibbs, proxy for Dr. Flora Tydings, Chancellor, Tennessee Board of Regents

The following member participated by phone:

Ron Maples, proxy for Dr. Joe DiPietro, President, University of Tennessee

The following members were absent:

The Honorable Bill Haslam, Governor

Recognizing a physical quorum present, Mr. Wilson called the meeting to order and asked for a motion to approve the minutes of the meeting held on November 8, 2017. Mr. Lillard moved approval of the minutes. Mr. Wilson seconded the motion. Mr. Wilson called upon Sandi Thompson, Director of the Office of State and Local Finance (“OSLF”) to call roll:

Mr. Boring	Aye
Ms. Scott	Aye
Mr. Wilson	Aye
Mr. Lillard	Aye
Mr. Gibbs	Aye
Mr. Maples	Aye

The meeting minutes were unanimously approved.

Mr. Wilson stated the next item was the approval of Approval of Assignment of Contract for Financial Advisory Services – PFM Financial Advisors LLC (“PFMFA”). Mr. Wilson stated that the financial advisory services currently with Public Financial Management, Inc (“PFMI”) have been assigned to their affiliated company PFMFA. Mr. Boring moved approval of the assignment. Mr. Lillard seconded the motion. Mr. Wilson called upon Ms. Thompson to call roll:

Mr. Boring	Aye
Ms. Scott	Aye
Mr. Maples	Aye
Mr. Wilson	Aye
Mr. Lillard	Aye
Mr. Gibbs	Aye

The motion passed unanimously.

Mr. Lillard moved to adjourn. Ms. Scott seconded the motion. Mr. Wilson called upon Ms. Thompson to call roll:

Mr. Boring	Aye
Ms. Scott	Aye
Mr. Maples	Aye
Mr. Wilson	Aye
Mr. Lillard	Aye
Mr. Gibbs	Aye

The meeting was adjourned.

Approved on this _____ day of _____, 2018

Respectfully submitted,

Sandra Thompson
Assistant Secretary

RESOLUTION AUTHORIZING A SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

WHEREAS, Tennessee State School Bond Authority (the “Authority”) has entered into a Revolving Credit Agreement dated as of March 20, 2014 (the “Revolving Credit Agreement”), as amended by the First Amendment to Revolving Credit Agreement dated as of March 20, 2017 (the “First Amendment”), with U.S. Bank National Association (“U.S. Bank”) and Wells Fargo Bank, National Association (“Wells Fargo” and, together with U.S. Bank, the “Banks”) as several (not joint) lenders thereunder, and U.S. Bank as administrative agent for both Banks; and

WHEREAS, the Maximum Federal Corporate Tax Rate (as defined in the Revolving Credit Agreement as amended by the First Amendment) has changed from 35% to 21% effective January 1, 2018; and

WHEREAS, such change in the Maximum Federal Corporate Tax Rate results in the imposition of a Margin Rate Amount fee under the Revolving Credit Agreement as amended by the First Amendment; and

WHEREAS, the parties wish to amend the Revolving Credit Agreement as amended by the First Amendment to prospectively revise the Tax-Exempt Rate thereunder to reflect the economic effects of such change in the Maximum Federal Corporate Tax Rate, in lieu of the continued imposition of such Margin Rate Amount fee, and to make certain other changes, including, without limitation, extending the expiry date of the Revolving Credit Agreement to March 18, 2021,

NOW, THEREFORE, BE IT RESOLVED BY THE MEMBERS OF THE TENNESSEE STATE SCHOOL BOND AUTHORITY:

SECTION 1. Second Amendment. The Authority hereby authorizes the execution by the Secretary of the Authority (or any other officer or member of the Authority designated by him), and delivery to the other parties, of a second amendment to the Revolving Credit Agreement among the Authority, U.S. Bank and Wells Fargo as lenders thereunder, and U.S. Bank as administrative agent, substantially in the form of the “Second Amendment to Revolving Credit Agreement” presented to this meeting, with such changes and additions to and omissions from said form as the person executing such first amendment, after consultation with counsel to the Authority, shall approve as necessary or appropriate (the “Second Amendment”), such execution and delivery to be conclusive evidence of such approval and consultation.

SECTION 2. Coordination With Resolution Authorizing Revolving Credit Agreement. The Revolving Credit Agreement and certain matters relating to the implementation thereof were approved by a resolution adopted by the Authority on March 13, 2014, entitled “RESOLUTION AUTHORIZING AND PROVIDING WITH RESPECT TO REVOLVING CREDIT AGREEMENT, LOANS AND PROMISSORY NOTES, AND TERMINATION OF COMMERCIAL PAPER PROGRAM”. The provisions of such resolution applicable to the implementation of the Revolving Credit Agreement are incorporated herein as if set forth herein in full; provided, however, that for such purpose, the term “Revolving Credit Agreement” shall

be deemed to refer to the Revolving Credit Agreement as amended by the First Amendment and the Second Amendment.

SECTION 3. Further Authority. All officers and members of the Authority, and other officers and employees of the State, including the Office of State and Local Finance of the State, are hereby authorized to carry out or cause to be carried out the transactions contemplated by this Resolution, including but not limited to all actions necessary to cause the Second Amendment to become effective and to carry out the obligations of the Authority under the Revolving Credit Agreement as amended by the First Amendment and the Second Amendment.

SECTION 4. Ratification. All action taken prior to the adoption of this Resolution by the officers and members of the Authority, and other officers and employees of the State, including the Office of State and Local Finance of the State, relating to the transactions contemplated by this Resolution are hereby ratified and confirmed.

SECTION 5. Effective Date. This Resolution shall be in full force and effect immediately upon its adoption.

Adopted this 25th day of April, 2018.

SECOND AMENDMENT TO REVOLVING CREDIT AGREEMENT

This Second Amendment to Revolving Credit Agreement (this "*Amendment*") dated April 30, 2018 (the "*Amendment Date*") and shall become effective on April 1, 2018 (the "*Effective Date*"), is by and among the TENNESSEE STATE SCHOOL BOND AUTHORITY (the "*Authority*"), WELLS FARGO BANK, NATIONAL ASSOCIATION, and its successors and permitted assigns ("*Wells Fargo*"), as a bank, and U.S. BANK NATIONAL ASSOCIATION, and its successors and permitted assigns ("*U.S. Bank*" and, together with Wells Fargo, collectively referred to herein as the "*Banks*"), as a bank and as administrative agent for the Banks (the "*Administrative Agent*"). All terms used herein and not defined herein shall have the meanings assigned to such terms in the hereinafter defined Agreement.

WITNESSETH

WHEREAS, the Authority, the Administrative Agent and the Banks have previously entered into the Revolving Credit Agreement dated as of March 20, 2014 (as amended, supplemented or otherwise amended to date, the "*Agreement*"), pursuant to which the Banks provided lines of credit to the Authority to provide a source of funds for the purposes set forth in the Act and the Resolution;

WHEREAS, pursuant to Section 11.2 of the Agreement, the Agreement may be amended by a written amendment thereto, signed by the Authority and the Banks;

WHEREAS, the parties hereto wish to amend the Agreement as set forth herein;

NOW THEREFORE, in consideration of the premises, the parties hereto hereby agree as follows:

1. AMENDMENTS.

Upon satisfaction of the conditions precedent set forth in Section 2 hereof, the Agreement shall be amended as follows:

1.01. The definitions of the terms "*Applicable Factor*," "*Commitment Expiration Date*," "*Margin Rate Factor*," "*Maximum Federal Corporate Tax Rate*" and "*Tax-Exempt Applicable Spread*" set forth in Section 1.1 of the Agreement are amended in their entireties and as so amended shall be restated to read as follows:

"*Applicable Factor*" means 80%.

"*Commitment Expiration Date*" means March 18, 2021, unless extended as provided herein.

"*Margin Rate Factor*" means the greater of (i) 1.0, or (ii) the product of (a) one minus the Maximum Federal Corporate Tax

Rate multiplied by (b) the quotient of (1) one divided by (2) one minus the Maximum Federal Corporate Tax Rate in effect on the Amendment Date (for the avoidance of doubt, the Maximum Federal Corporate Tax Rate on the Amendment Date is 21%). The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change. As of the Effective Date, the Margin Rate Factor is 1.0.

“Maximum Federal Corporate Tax Rate” means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Banks, the maximum statutory rate of federal income taxation which could apply to the Banks), expressed as a decimal. As of April 1, 2018, the Maximum Federal Corporate Tax Rate is 21%.

“Tax-Exempt Applicable Spread” means, from and after April 1, 2018, the rate per annum associated with the Authority Rating, as specified in the pricing matrix below:

	Authority Rating			Applicable Spread basis points (%)
	Moody’s	S&P	Fitch	
Level I	Aa2 or above	AA or above	AA or above	42 bps (0.42%)
Level II	Aa3	AA-	AA-	53 bps (0.53%)
Level III	A1	A+	A+	73 bps (0.73%)
Level IV	A2	A	A	1.03 bps (1.03%)
Level V	A3	A-	A-	1.43 bps (1.43%)

In the event Authority Ratings are assigned by all three Rating Agencies, and only two of such Authority Ratings are equivalent, the two equivalent Authority Ratings shall be used for purposes of determining the Tax-Exempt Applicable Spread. In the event Authority Ratings are assigned by all three Rating Agencies, and no two such Authority Ratings are equivalent, the middle Authority Rating shall be used for purposes of determining the Tax-Exempt Applicable Spread. In the event Authority Ratings are assigned by only two Rating Agencies, and such Authority Ratings are not equivalent, the lower Rating shall be used for purposes of

determining the Tax-Exempt Applicable Spread. Any change in the Tax-Exempt Applicable Spread resulting from a change in the Authority Rating shall be and become effective as of and on the date of the announcement of the change in the Authority Rating. References to the Authority Rating above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system by any such Rating Agency, including, without limitation, any recalibration of the Authority Rating in connection with the adoption of a “*global*” rating scale, each Authority Rating from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. In the event that any Authority Rating is suspended, withdrawn, or otherwise unavailable from any Rating Agency, or if any Authority Rating is reduced below “A3,” “A-” or “A-” by any of Moody’s, S&P or Fitch, respectively, or upon the occurrence of and during the continuance of an Event of Default, in each such case, the Loans outstanding shall automatically bear interest at the Default Rate, without notice to the Authority.

2. CONDITIONS PRECEDENT.

This Amendment is dated the Amendment Date and shall become effective on the Effective Date subject to the satisfaction of or waiver by the Bank of all of the following conditions precedent on the Amendment Date:

2.01. Delivery by the Authority, the Administrative Agent and each Bank of an executed counterpart of this Amendment.

2.02. Delivery to each Bank of an opinion of counsel to the Authority, addressed to the Banks and the Administrative Agent, on behalf of the Banks, to the effect that (a) this Amendment will not adversely affect the exclusion from gross income of interest on the Tax-Exempt Loans and Tax-Exempt Note for federal income tax purposes and (b) this Amendment has been duly authorized, executed and delivered by the Authority and that the Agreement, as amended by this Amendment, is valid, binding and enforceable against the Authority in accordance with its terms.

2.03. Payment to each Bank on the date hereof of a non-refundable amendment fee with respect to this Amendment equal to \$2,500 for each Bank.

2.04. Payment to counsel to the Banks on the Amendment Date of the reasonable legal fees and expenses of counsel to the Banks (in an amount not to exceed \$7,500).

2.05. Receipt by each Bank of a certified copy of the authorizing resolution of the Authority approving the execution and delivery and performance of its obligations under this Amendment and the Agreement, as amended hereby.

2.06. Receipt by each Bank of a customary certificate executed by appropriate officer of the Authority including the incumbency and signature of the officer of the Authority executing this Amendment.

2.07. All other legal matters pertaining to the execution and delivery of this Amendment shall be satisfactory to each Bank and its counsel.

3. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY.

3.01. The Authority hereby represents and warrants that the following statements are true and correct as of the date hereof:

(a) the representations and warranties of the Authority contained in Section 6.1 of the Agreement and in each of the Related Documents are true and correct on and as of the date hereof as though made on and as of such date (except to the extent the same expressly relate to an earlier date, which shall have been true and correct on such earlier date, then such representation or warranty shall be true and correct as of such earlier date, and except that the representations contained in Section 6.1(j) of the Agreement shall be deemed to refer to the most recent financial statements of the Authority delivered to the Administrative Agent, on behalf of the Banks, pursuant to Section 7.1(e)(i) of the Agreement); and

(b) no Default or Event of Default has occurred and is continuing or would result from the execution of this Amendment.

3.02. In addition to the representations given in Section 6.1 of the Agreement, the Authority hereby represents and warrants as follows:

(a) The execution, delivery and performance by the Authority of this Amendment and the Agreement, as amended hereby, are within its powers, have been duly authorized by all necessary action and do not contravene any law, rule or regulation, any judgment, order or decree or any contractual restriction binding on or affecting the Authority.

(b) No authorization, approval or other action by, and no notice to or filing with, any governmental authority or regulatory body is required for the due execution, delivery and performance by the Authority of this Amendment or the Agreement, as amended hereby.

(c) This Amendment and the Agreement, as amended hereby, constitute valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, except that (i) the

enforcement thereof may be limited by bankruptcy, reorganization, insolvency, liquidation, moratorium and other laws relating to or affecting the enforcement of creditors' rights and remedies generally, the exercise of judicial discretion in appropriate cases and by the limitations on legal remedies against the Authority, and (ii) no representation or warranty is expressed as to the availability of equitable remedies.

4. MISCELLANEOUS.

Except as specifically amended herein, the Agreement shall continue in full force and effect in accordance with its terms. Reference to this Amendment need not be made in any note, document, agreement, letter, certificate, the Agreement, any Related Document or any communication issued or made subsequent to or with respect to the Agreement or any other Related Document, it being hereby agreed that any reference to the Agreement shall be sufficient to refer to the Agreement, as hereby amended. In case any one or more of the provisions contained herein should be invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein shall not in any way be affected or impaired hereby. All capitalized terms used herein without definition shall have the same meanings herein as they have in the Agreement. SECTION 11.6 OF THE AGREEMENT SHALL APPLY TO THIS AMENDMENT.

This Amendment may be simultaneously executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. This Amendment may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed and delivered by their respective officers hereunto duly authorized as of the Amendment Date.

TENNESSEE STATE SCHOOL BOND AUTHORITY

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION, as
Administrative Agent and Bank

By: _____
Name: _____
Title: _____

WELLS FARGO BANK, NATIONAL ASSOCIATION,
as Bank

By: _____
Name: _____
Title: _____



April 6, 2018

Ms. Lauren S. Lowe, Director Public
Financial Management, Inc.

Email: lowel@pfm.com

Dear Lauren:

On behalf of Wells Fargo Bank, N.A. ("Wells Fargo") and U.S. Bank, N.A. ("U.S. Bank") (each a "Bank" and, together, the "Banks"), we are pleased to provide a summary of the proposed rate modification of the Revolving Credit Agreement dated as of March 20, 2014, as amended to date (the "Existing Agreement" or the "Existing Facility"), by and among Wells Fargo, U.S. Bank and the Tennessee State School Bond Authority (the "Authority").

In a continued effort to make this transaction as seamless and efficient as possible, the Banks have agreed to have U.S. Bank continue in its role as Administrative Agent (the "Administrative Agent"). U.S. Bank, as Administrative Agent, will be responsible for managing ongoing administration of the Existing Facility. Ongoing administration of the Existing Facility would include the collection and distribution of fees and financial statements, coordination of advances and repayments, coordination of waivers and amendments, determining the rate on advances under the Existing Facility and invoice preparation and distribution. A single draw request will be sent by the Authority to the Administrative Agent. The Administrative Agent will coordinate the funding of drawing requests from moneys received from the Banks and will also receive repayments from the Authority to be distributed to the Banks. Each Bank will be severally obligated to fund draw requests but the Authority will continue to process payments and requests through U.S. Bank only.

Structure Summary:**Obligor:**

Tennessee State School Bond Authority (the “Obligor”).

**Facility Type
and Structure:**

Rate modification of the Existing Agreement and the terms shall be consistent with the Existing Agreement except as set forth in this Term Sheet.

Drawn Rate:

Tax-Exempt Advances shall initially bear interest at a per annum rate of interest equal to the sum of (i) the product of the Index and the Applicable Factor and (ii) the Applicable Spread (the “Tax-Exempt Drawn Rate”).

- Index – One-Month LIBOR
- Applicable Factor – 80%
- Applicable Spread – initially 42.0 basis points

Drawn Rate will be subject to adjustment as described below.

Undrawn Fee:

The Undrawn Fee will remain unchanged at Twenty Three (23.0) basis points.

Term:

Three years

Margin Rate Factor:

The tax-exempt Drawn Rate will be subject to adjustment by a Margin Rate Factor. The Margin Rate Factor means the greater of (i) 1.0, and (ii) the product of (a) one minus the prevailing Maximum Federal Corporate Tax Rate multiplied by (b) the quotient of (A) one divided by (B) (1) one minus (2) the Maximum Federal Corporate Tax Rate at closing. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as applicable) in the Maximum Federal Corporate Tax Rate resulting in such change.

The Maximum Federal Corporate Tax Rate is currently 21% such that the current Margin Rate Factor equals 1.0. The Margin Rate Factor will not go below 1.0.

The Margin Rate Amount Effective Date shall be the date upon which the change in corporate tax rates becomes effective.

Taxable Rate:

Tax-exempt draws that become taxable, will be equal to the product of (i) the Drawn rate and (ii) one divided by one minus the prevailing Maximum Federal Corporate Tax Rate.

**Downgrade Pricing:**

Parity Debt Rating (Moody's/S&P/Fitch)	Applicable Spread
Aa1/AA+/AA+ to Aa2/AA/AA	42.0 bps
Aa2/AA/AA to Aa3/AA- /AA-	53.0 bps
Aa3/AA-/AA- to A1/A+/A+	73.0 bps
A1/A+/A+ to A2/A/A	103.0 bps
A2/A/A to A3/A-/A-	143.0 bps

Bank Counsel:

The Banks will be represented by Chapman and Cutler, LLP.

Legal Fees:

In connection with an amendment of the Existing Agreement, capped at \$7,500.

Please note that the structure contemplated herein is subject to normal due diligence, formal credit approval, satisfactory documentation, and agreement on terms and conditions, and does not represent an offer or commitment to lend on the part of Wells Fargo or U.S. Bank. This letter should not be construed as an attempt to establish all of the terms and conditions relating to the Facility; it is intended only to be indicative of certain terms and conditions around which credit approval may be sought, and if approved, how the operative documents might be structured. Unless this letter is earlier rescinded, it shall expire automatically without further action or notice by the Banks on April 20, 2018 unless the Authority provides written notice of a formal mandate to the Banks.

Should you have any questions, please do not hesitate to contact either of us at the phone numbers provided below. Thank you for your consideration, and we look forward to working with the Authority and its financing team on this transaction.

Sincerely,

Ellie Sternberg
Vice President
Wells Fargo Bank, N.A.
Phone: (256) 551-4126
Email: ellie.sternberg@wellsfargo.com

Steve Touvelle
Vice President
U.S. Bank, N.A.
Phone: (513) 632-4727
Email: stouvelle@usbank.com

Analysis of Current vs. Proposed RCA Tax-Exempt Rates*

<u>Original</u>	<u>Post Tax Cuts & Jobs Act</u>	<u>Proposed Modification</u>
<u>\$ 89,833.13</u>	<u>\$ 114,324.98</u>	<u>\$ 101,506.98</u>

70% of LIBOR
+ 38.5 Basis Points

70% of LIBOR
+ 38.5 Basis Points
+ Margin Rate Factor (MRF)
MRF = \$24,491.85

80% of LIBOR
+ 42.0 Basis Points

*Calculated based on March RCA tax-exempt principal outstanding and a LIBOR rate of 1.66418%